BEFORE IT'S NEWS

Economists are often wrong (and British voters ought to know that)

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On May 12, 2016, The London Times published an open letter, in which close to 200 economists warned the British public against voting for a withdrawal from the European Union.

Unfortunately, economists can be wrong – often about the most consequential of matters. The voters might keep that in mind as they heads to the polls on June 23.

When the Great Recession started in 2008, Queen Elizabeth II is supposed to have asked why nobody saw the financial meltdown coming. Appropriately enough, the British Monarch asked that question at the London School of Economics, which was founded by some of the luminaries of the Fabian Society, including George Bernard Shaw, and Sidney and Beatrice Webb.

The former was a Nobel Prize-winning playwright, whose genius could not disguise his deep-seeded misanthropy. As he once observed, "Under Socialism, you would not be allowed to be poor. You would be forcibly fed, clothed, lodged, taught, and employed whether you liked it or not. If it were discovered that you had not character and industry enough to be worth all this trouble, you might possibly be executed in a kindly manner."

The latter were a couple of economists who visited the Soviet Union in 1932 and returned home to write a socialist panegyric entitled, "Soviet Communism: A new civilization?" The 1000-page tome, which was first published in 1935, was reprinted in 1941 and 1944, omitting, prematurely it turned out, the question mark. Impartial observers would have noticed Soviet poverty or suspected that what they were being fed was, at best, a sanitized slice of daily life in the USSR.

Not so with the Webbs. They swallowed the Soviet propaganda hook, line and sinker.

The Webbs belonged to a long line of socialist apologists. The late Paul A. Samuelson, a Nobel Prize-winning economist from the Massachusetts Institute of Technology, and William D. Nordhaus, a professor at Yale University, are another inglorious duo.

For decades the two have published the standard university introduction to economics called, well, "Economics." First published in 1948, the book went through 19 editions, with the last coming out in 2010. The book sold over 300,000 copies of each edition between 1961 and 1976, making the two authors very rich.

In the 13th edition, which was published in 1989, the authors urged their readers not to "dwell on the shortcomings [of a socialist economy]." "Every economy," they maintained, "has its contradictions and difficulties… What counts is results, and there can be no doubt that the Soviet planning system has been a powerful engine for economic growth."

That same year, communism collapsed.

Nowhere in the 14th edition, which came out in 1992, did Samuelson and Nordhaus admit that over the decades they have grossly misled hundreds of thousands of college students in the West about the single most important economic fact of the twentieth century – that a completely socialized economy must be a catastrophic failure.

Instead, they dismissed the socialist experiment by noting that "the technological backwardness of Soviet planning is symbolized by the fact that the planning apparatus, which is supposed to allocate thousands of commodities… performs many calculations on abacuses," and lowered their estimate of the Soviet gross national product per capita from 49 percent that of the United States, to "between one-sixth and one-third of that of the United States."

That economists are frequently wrong about fundamental questions was wonderfully reaffirmed seven years later. In 1999, The Economist surveyed 164 British economists, two-thirds of whom said that they were in favor of Britain joining the single currency.

In 2016, fifty leading economists, who were brought together by the pro-EU Centre for European Reform, concluded that "there is a broad consensus that the euro had been a disappointment: the currency union's economic performance has been very poor, and rather than bringing EU member-states together and fostering a closer sense of unity and common identity, the euro has divided countries and eroded confidence in the EU."

Surprisingly, some politicians, who had little economic training but believed in human freedom and ingenuity, were much better at understanding and solving difficult economic problems.

The U.S. President Ronald Reagan, for example, believed (much to the amusement of the American sophisticates) that communist countries were backward and could never attain prosperity. Remarkably, he never wavered in basing his foreign policy on that premise. His intransigence was all the more impressive considering that he did not set foot in the USSR until the last year of his presidency.

In a similar vein, the British Prime Minister Margaret Thatcher understood that socialism was a dead-end, famously quipping that "The problem with socialism is that eventually you run out of other people's money [to spend]." Lady Thatcher was a ferocious opponent of the single currency and of the centralization of decision-making in Brussels. As the British voters decide on Britain's membership in the EU, they should remember her.

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